

CITY OF EVERETT
Snohomish County, Washington
January 1, 1992 Through December 31, 1992

Schedule Of Findings

1. The City Should Ensure Contractors Obtain Adequate Performance Bonds As Required By State Law

In 1991, the city contracted with Cascade Commercial Contractors to construct a sewer utility building. The city did not ensure that Cascade had obtained a performance bond from an eligible surety as required by state law. In turn, Cascade failed to pay all claims of their subcontractors on this project.

Cascade did obtain performance bonds from NCI Ltd. of Rancho Bernardo, California, and William C. Croft of Tucson, Arizona; however, neither NCI nor Mr. Croft qualify as individual sureties or corporate sureties under state law (per RCW 19.72.020 and State Insurance Commissioner). Neither was eligible to act as an individual surety because they were not residents of this state. NCI Limited was not eligible to act as corporate surety according to the State Insurance Commissioners Office, who informed us that NCI was not licensed to provide insurance in Washington.

RCW 39.08.010 requires the city to ensure that contractors obtain:

... a good and sufficient bond, with a surety company as surety ...

RCW 39.08.015 says that, if the city fails to take such bond, the city:

... shall be liable ... to the full extent and for the full amount of all such debts so contracted by such contractor.

RCW 19.72.020 states in part:

Whenever any bond ... is required ... by law ... conditioned upon the doing or not doing of anything specified therein and to be signed by one or more persons as sureties, each of such sureties shall be a resident of this state ...

The city has been working with subcontractors and has made payments to both the prime contractor and subcontractors totaling \$466,840 through December 31, 1992.

If the surety and/or the prime contractor do not satisfy all claims, the city may be liable for the remaining amount owed, according to RCW 39.08.15.

We recommend the city continue to work with sureties and subcontractors to minimize loss of city funds because of this project.

We recommend the city require all contractors to obtain sufficient performance bonds as

required by state law.

2. The City Should Improve Controls At The Municipal Court

Our review of the city's Municipal Court revealed weaknesses in cash handling and accounting.

- a. During our audit we discovered \$1,126 of cash, checks, and money orders on hand, that had been received over the course of the last 18 months. Of this total, \$230 was recorded on a hand written receipt; however, none of the money was posted to the court's computer system. The date these payments had been received was evidenced by an attached envelope, citation, or other document.

Article XI, Section 15 of the State Constitution says:

All moneys, assessments and taxes belonging to or collected for the use of any . . . city, coming into the hands of any officer thereof, shall immediately be deposited with the treasurer, or other legal depositary to the credit of such city

Money received by the court is not always recorded and deposited if a question remains by the staff as to which case it applies to.

When receipts are not recorded in the accounting records and the money is not deposited with the city treasurer it increases the likelihood that these funds will be lost, and the municipal court will not discover this within a reasonable period of time.

We recommend that the municipal court record all receipts in the accounting records and deposit all receipts with the treasurer in a timely manner.

- b. We also reviewed the court's trust account and reconciled that with their listing of cash in trust by defendant. Of the \$161,789 in trust, \$53,901 could not be identified through a specific case or court action.

We recommend the court administrator identify all defendants who have deposited cash bail in the court trust account.

- c. Finally, we noticed several boxes of citations which have not been recorded in the DISCIS computer system. According to the court administrator, these are all open citations for infractions, received by the court from April 1991 through November 1992. There is no accountability for citations not recorded in the DISCIS system, which increases the risk of losing receipts related to these citations.

We recommend the court record all open citations received into the DISCIS computer system in a timely manner.